

**Mahindra & Mahindra Limited**

December 23, 2020

CARE Ratings has taken cognizance of the missed loan repayments by SsangYong Motor Company (SYMC), Mahindra & Mahindra Limited's (M&M) material subsidiary (M&M holding in SYMC is 74.6%) on December 14, 2020. M&M vide Press Release dated December 15, 2020 intimated the stock exchange regarding non-payment of loans by SYMC on due date totaling 60 billion Korean Won (KRW), equivalent to about Rs. 408 crore. These repayments were part of outstanding unsecured loan of 100 billion KRW (about Rs. 680 crore), from Seoul branches of three banks namely Bank of America N.S., BNP Paribas and JP Morgan Chase Bank, N.A. (JP Morgan), guaranteed by M&M. SYMC filed for rehabilitation procedure with the Seoul Bankruptcy Court on December 21, 2020. Following SYMC's application for rehabilitation, JP Morgan has issued a notice to SYMC demanding repayment of outstanding loan amount of 40 billion KRW (approx. Rs 280 crores) along with the interest. SYMC on 22<sup>nd</sup> December 2020 intimated to Korean Stock Exchange that it could not repay the loan amount of 40 billion KRW to JP Morgan on account of application for rehabilitation.

CARE notes that abovementioned delay in repayment by SYMC, has no material impact on M&M's credit profile. M&M had extended the guarantees to the unsecured loans availed by SYMC, when M&M announced its decision to divest its stake in the company. M&M's guarantee effectively serves as a backstop arrangement for the lenders as post invocation of guarantees, M&M is committed to pay the outstanding amount on the guaranteed debt along with the interest accrued as per the agreed timelines with them. Given M&M's stated position of no further investments in SYMC, and its decision to divest its stake in this company, it will not be assuming any liability besides the aforementioned committed outstanding loan of KRW 100 billion.

M&M continues to maintain a strong liquidity profile, with cash & cash equivalent of Rs. ~14,017 crore as on September 30, 2020. CARE Ratings believes that M&M will not face challenges in honoring its obligations on invocation of remaining guarantees.

SYMC on 21<sup>st</sup> December 2020 has filed an application for commencement of rehabilitation procedure with the Seoul Bankruptcy Court under the Debtor Rehabilitation and Bankruptcy Act of South Korea. Further, SYMC has also applied for an Autonomous Restructuring Support (ARS) program.

CARE will continue to monitor these developments around SYMC's payment delays and filing for commencement of rehabilitation procedure and its implications on M&M.

The ratings assigned to the bank facilities of M&M continue to reflect its dominant market position in the Indian Tractor industry and Light Commercial Vehicles (LCV) segment along with its diversified product profile. The ratings also favourably factor its strong financial risk profile driven by low leverage, strong debt coverage indicators and high financial flexibility supported by superior liquidity position on back of large un-encumbered liquid investments.

Please refer the following link for the previous detailed Press Releases published on December 02, 2020.

<https://www.careratings.com/upload/CompanyFiles/PR/Mahindra%20%20Mahindra%20Limited-12-02-2020.pdf>

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### About CARE Ratings:

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